

February 22nd, 2017

Chairman Ajit Pai
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Dear Chairman Pai,

We write to bring to your attention several important observations as the Federal Communications Commission (FCC or Commission) considers how to allocate the declined Connect America Fund Phase II (CAF II) money, a matter pending in the proposed items for the Commission's February 23, 2017 meeting. Primarily, we write in support of the recommendation included in the comments of the Pennsylvania Public Utility Commission (PA PUC) that requested declined CAF II monies remain in Pennsylvania.

Pennsylvania consumers have long been a major net contributor to federal universal service fund (USF) programs, consistently ranking fifth in the country in terms of net USF payments (i.e., paying out more than is returned). In 2015, for example, out of the \$365 million that was collected from Pennsylvania consumers through their rates for telecommunications, \$169 million was not returned and went to universal service support outside of Pennsylvania. The FCC's *Universal Service Monitoring Reports* state that, during the 2005-2016, Pennsylvania's net contribution to the federal USF totaled in excess of \$1.7 billion dollars.

In addition to this burden, Pennsylvania also operates a separate state universal service fund, supported by assessments on carriers, and implemented a state broadband statute that has imposed broadband deployment obligations (and higher rates) paid by Pennsylvania consumers beginning in 1993 but more recently under a statute enacted in 1995. Pennsylvania consumers have paid for all of this either directly or through assessments on their service providers.

Now Pennsylvania consumers stand to lose even more federal funding because some CAF II money was declined by the Verizon incumbent local exchange carriers operating in Pennsylvania (Verizon Pennsylvania LLC and Verizon North LLC). The declined amount equals approximately \$23 million annually over a six-year period (or 46% of the total CAF II allotment to the state). Now, these funds may potentially be reallocated to other states in the absence of an FCC decision to the contrary.

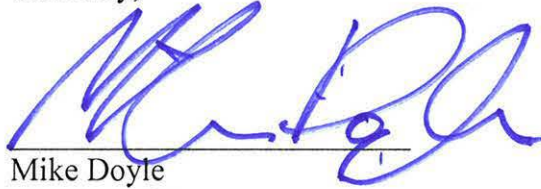
Losing all or part of this funding would be unfair to Pennsylvania residents in rural and high-cost areas and contrary to the FCC's goal of ensuring broadband access for all. We need to do everything possible to expand access to this critical resource, and we support the PA PUC's recommendation that states, like Pennsylvania, should receive their full allocation of the declined

CAF II support funds for use within the state. Your agency recently granted a petition filed by the state of New York, which allowed the declined CAF II money to remain in that state.

We are asking that the FCC convey the same consideration to Pennsylvania by agreeing to design the auction process so that the declined Verizon funds are used to upgrade Pennsylvania's broadband infrastructure.

Thank you for your attention to this matter.

Sincerely,



Mike Doyle
Member of Congress



Ryan Costello
Member of Congress

CC: Commissioner Mignon Clyburn, Commissioner Michael O'Rielly



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 3, 2017

The Honorable Mike Doyle
U.S. House of Representatives
239 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Doyle:

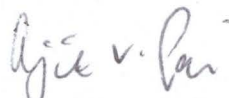
Thank you for your letter urging the Commission to adopt rules for the Connect American Fund (CAF) Phase II competitive bidding process that ensures an equitable allocation of funding for states such as Pennsylvania. One of my top priorities as Chairman is closing the digital divide for rural Americans who lack sufficient high-speed Internet access. I believe everyone should have digital opportunity, and I know there is virtually no limit to what Americans who are disconnected today could achieve tomorrow with robust connectivity.

That is why I asked my colleagues to vote on the CAF Phase II auction at our February 23 meeting, the first monthly meeting at which I could set the agenda as Chairman. That auction incorporates rules that my colleagues and I hammered out last year to induce new entrants to participate—competitive entrants like wireless Internet service providers, small-town cable operators, and electric utilities. And I was pleased that we adopted bidding weights that will encourage all technologies—no matter what technology they use—to compete in the auction.

Like you, I believe it would be unfair to rural Pennsylvanians to tie their opportunity for high-speed Internet access to the decision of a single company. That's why I worked with my colleagues in February to ensure that the citizens of every state that was promised new, better, faster broadband service by the FCC back in 2015 will see that funding come through to their state, either in this auction—which I hope takes place as soon as possible—or in the Remote Areas Fund that will follow on its heels.

I look forward to continue working with you as the Commission moves towards holding the CAF Phase II reverse auction. Please let me know if I can be of any further assistance.

Sincerely,


Ajit V. Pai

P.S. Congressman, thanks for taking the time to chat yesterday - I know you were both busy and in transit, so I really appreciate it.



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Ajit V. Pai